

SECRET

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TELEGRAM

# Department of State

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ACTION ARA-05

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INFO OCT-01 05-14 ISO-00 SP-02 DIA-02 H-01 INR-05  
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FM AMEMBASSY GUATEMALA  
TO SECSTATE WASHDC IMMEDIATE 0232  
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SECTION 1 OF 2 GUATEMALA 3445

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TREASURY FOR PETER BRIDGES

E.O. 11652 GDS  
TAGS: OCON, EFIA, SHUM, GT  
SUBJ: SECRETARY BLUMENTHAL'S BILATERAL MEETING WITH ARGENTINA  
REF: GUATEMALA 3410, BRIDGES-BUTHER TELECC 1

AS PER REQUEST BY MR. PETER BRIDGES THERE FOLLOWS MEMORANDUM OF SECRETARY BLUMENTHAL'S BILATERAL MEETING WITH ARGENTINE MINISTER OF ECONOMY MARTINEZ DE HOZ:

MEMORANDUM OF CONVERSATION  
PARTICIPANTS:

ARGENTINA: JOSE ALFREDO MARTINEZ DE HOZ, MINISTER OF ECONOMY  
ALDO LEO CEARIZ, PRESIDENT OF THE CENTRAL BANK  
DANTE SIMONE, EXECUTIVE DIRECTOR, IMF  
U.S.

MICHAEL BLUMENTHAL, SECRETARY OF TREASURY  
C. FRED BERGSTEN, ASSISTANT SECRETARY OF THE SURVEY  
ARNOLD MACMILLANOFF, DEPUTY ASSISTANT SECRETARY OF TREASURY  
RICHARD ARELANO, DEPUTY ASSISTANT SECRETARY OF STATE  
EDWARD BUTHER, OFFICE OF DEVELOPING NATIONS FINANCE, TREASURY  
TIME AND PLACE: MAY 31, 1977 - U.S. CHANCERY, GUATEMALA

SUBJ: BILATERAL MEETING WITH ARGENTINA

MARTINEZ DE HOZ SAID HE WAS GRATEFUL FOR OPPORTUNITY TO EXPLAIN PERSONALLY TO SECRETARY BLUMENTHAL THE ECONOMIC PROGRESS THAT ARGENTINA HAS MADE SINCE THE ADMINISTRATION OF VIDELA. HE BEGAN BY GIVING A DETAILED DESCRIPTION OF THE POLITICAL MANEUVERINGS LEADING UP TO THE MILITARY TAKEOVER IN 1976. HE EMPHASIZED THAT THE MILITARY RELUCTANTLY ASSUMED POWER WHEN PERSON'S WIFE HAD LOST CONTROL OF THE POLITICAL SITUATION AND THE ECONOMY HAD REACHED "ROCK BOTTOM". HE SAID HE AGREED TO BE MINISTERS OF ECONOMY ONLY IF HE HAD THE COMPLETE POLITICAL BACKING OF THE MILITARY AND IF HE WOULD HAVE CONTROL OVER ALL MINISTRIES, INCLUDING THE ECONOMY. THE MILITARY ACCEPTED A LEGACY OF "TERRORIST" POLICIES WHICH PERSON HAD BACKED IN ORDER TO OUST THE PREVIOUS GOVERNMENTS BUT WHICH ULTIMATELY GOT OUT OF CONTROL.

MARTINEZ DE HOZ REITERATED THE ECONOMIC PROGRESS WHICH HAS BEEN MADE UNDER HIS LEADERSHIP. HE POINTED OUT AVERAGE INflation WITH CHARTS SHOWING "OVERALL A DECREASE IN UNEMPLOYMENT, DECREASE IN MONETARY EXPANSION, INCREASE IN GROSS DOMESTIC PRODUCT, ENERGY PRODUCTION AND EXPORTS, INCREASE IN REDUCTION IN GOVERNMENT DEFICIT, DECREASE IN RATE OF INFLATION, AND IMPROVEMENT IN EXTERNAL SITUATION". HE SAID HE WAS ABLE TO DO ALL THIS BECAUSE THE POPULATION OF ARGENTINA HAD DECREASED FROM 10.5 MILLION IN 1960 TO 10.2 MILLION IN 1976. HE SAID HE WAS ABLE TO DO THIS BECAUSE HE HAD THE POLITICAL BACKING OF THE MILITARY AND THE PEOPLE.

BLUMENTHAL SAID HE ADMIRER THE PROGRESS IN THE ECONOMY WHICH HAD BEEN MADE AND UNDERSTOOD THE POLITICAL SITUATION. HE SAID HE WAS GRATEFUL FOR THE OPPORTUNITY TO EXPLAIN PERSONALLY TO SECRETARY BLUMENTHAL THE ECONOMIC PROGRESS THAT ARGENTINA HAS MADE SINCE THE ADMINISTRATION OF VIDELA. HE BEGAN BY GIVING A DETAILED DESCRIPTION OF THE POLITICAL MANEUVERINGS LEADING UP TO THE MILITARY TAKEOVER IN 1976. HE EMPHASIZED THAT THE MILITARY RELUCTANTLY ASSUMED POWER WHEN PERSON'S WIFE HAD LOST CONTROL OF THE POLITICAL SITUATION AND THE ECONOMY HAD REACHED "ROCK BOTTOM". HE SAID HE AGREED TO BE MINISTERS OF ECONOMY ONLY IF HE HAD THE COMPLETE POLITICAL BACKING OF THE MILITARY AND IF HE WOULD HAVE CONTROL OVER ALL MINISTRIES, INCLUDING THE ECONOMY. THE MILITARY ACCEPTED A LEGACY OF "TERRORIST" POLICIES WHICH PERSON HAD BACKED IN ORDER TO OUST THE PREVIOUS GOVERNMENTS BUT WHICH ULTIMATELY GOT OUT OF CONTROL.

DE HOZ IF HE SAW A WAY TO MOVE FROM EXTRA LEGAL METHODS OF CONTROL TO THE NORMAL LEGAL PROCESS IN HANDLING TERRORISTS.

MARTINEZ DE HOZ SAID THAT WHILE ARGENTINA ADMIRES U.S. TRADITIONS AND LAWS AND CITED THE COMMON HISTORY, THE PRESENT SITUATION IS HIGHLY ABNORMAL STEERING IN PART BY INHIBITION OF THE JUDICIARY TO SENTENCE TERRORISTS BECAUSE OF FEAR OF RETRIBUTION AGAINST THEMSELVES BROUGHT TO TRIAL WERE ALWAYS SET FREE. THUS, A POLICY OF TAKING NO PRISONERS WAS ADOPTED. LIKEWISE, YOUNG MILITARY OFFICERS TOOK MATTERS INTO THEIR OWN HANDS. MARTINEZ DE HOZ SAID PRESIDENT VIDELA IS COMMITTED TO RESTORING HUMAN RIGHTS. CONSIDERABLE PROGRESS HAS BEEN MADE IN WIPING OUT THE TWO MAIN TERRORIST GROUPS AND HE ANTICIPATES GRADUAL IMPROVEMENT IN RESTORING HUMAN RIGHTS OVER THE NEXT FEW MONTHS.

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Department of State, A/GIS/IPS/SRP

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ACTION ARA-06

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INFO OCT-01 SS-14 ISO-02 SP-02 DHA-02 H-0 INR-05  
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TO SECSTATE WASHDC IMMEDIATE 6233  
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TREASURY FOR PETER BRIDGES

BLUMENTHAL SAID THAT WHILE WE ARE UNDERSTANDING IF ARGENTINA'S PROBLEM AND WE DON'T WISH TO INTERFERE INTERNALLY, THE CARTER ADMINISTRATION MUST BE CONSISTENT IN THE PURSUIT OF HUMAN RIGHTS. THE HARKIN AMENDMENT REQUIRES US TO VOTE AGAINST LOANS BY THE IDB FOR COUNTRIES WITH GROSS VIOLATIONS EXCEPT IN THE CASE OF THE NEEDY. THE BADILLO AMENDMENT, WHICH ALREADY HAS PASSED THE HOUSE WOULD EXTEND THIS LAW TO OTHER IF'S. WHILE HARKNEY AMENDMENT WOULD PROVIDE MORE FLEXIBILITY, THE ADMINISTRATION IS AS A MATTER OF ITS OWN POLICY AND CONVICTION, COMMITTED TO THE ADVANCEMENT OF HUMAN RIGHTS. HE SUGGESTED, THEREFORE, THAT IT MIGHT BE ADVISABLE FOR ARGENTINA TO POSTPONE APPLICATIONS FOR LOANS UNTIL IT COULD SHOW SOME DEFINITE IMPROVEMENT IN HUMAN RIGHTS.

MARTINEZ DE HOZ SAID THAT PRESIDENT VIDELA IS COMMITTED TO RESTORING HUMAN RIGHTS AS SOON AS POSSIBLE. ARGENTINA HAS TWO LOANS IN THE PIPELINE FOR IDB CONSIDERATION WHICH COULD BE HELD UP. BUT HE IS CONCERNED ABOUT A \$100 MILLION LOAN FOR THE NATIONAL DEVELOPMENT BANK WHICH IS BEING CONSIDERED BY THE IDB. HE EXPRESSED CONCERN THAT ARGENTINA WOULD NOT BE ABLE TO UTILIZE ITS \$300 MILLION QUOTA WITH THE IDB IF THE LOAN WERE DELAYED TO THE NEXT FISCAL YEAR. HE SAID HE HOPED THAT THIS LOAN MIGHT GET THROUGH THE "NEEDY" LOOPHOLE ON THE GROUNDS OF EMPLOYMENT GENERATION.

BLUMENTHAL RESPONDED BY INDICATING THAT THE IDB LOAN IS VERY LIKELY TO PRESENT PROBLEMS FOR US.

MARTINEZ DE HOZ BECAME SOMEWHAT DEFENSIVE AND ASKED WHO WORRIES ABOUT HUMAN RIGHTS FOR THE VICTIMS OF THE TERRORISTS.

ARELAND SAID THERE IS NO WAY OF RATIONALIZING HUMAN RIGHTS VIOLATIONS.

IN RESPONSE TO BLUMENTHAL'S QUESTION ABOUT ASSERTIONS OF ANTI-SEMITISM IN ARGENTINA, MARTINEZ CLAIMED THERE WAS NO SUBSTANCE TO THE CHARGES.

BLUMENTHAL SAID HE BELIEVES THAT THE U.S. POSITION IS CLEAR. HE HOPES TO SEE IMPROVEMENT IN HUMAN RIGHTS MADE QUICKLY AND WOULD LIKE TO BE INFORMED CONCERNING PROGRESSMADE.

BLUMENTHAL REITERATED U.S. OPPOSITION TO ANY INCREASE IN SALARY FOR IDB EXECUTIVE DIRECTORS AND ASKED FOR ARGENTINA'S SUPPORT.

MARTINEZ DE HOZ AGREED TO DISCUSS SALARY ISSUE WITH ORTIZ MENA WITH THE OBJECTIVE OF HAVING IT PUT ASIDE. HE THEN BROUGHT UP THE POSSIBILITY OF INTAL BEING ELIMINATED, OR TRANSFERRED. SINCE INTAL IS THE ONLY INTERNATIONAL ORGANIZATION LOCATED IN ARGENTINA MARTINEZ DE HOZ IS ANXIOUS THAT IT REMAIN THERE IN SOME FORM.

BERGSTEN SAID THAT AS THE SECRETARY INDICATED IN HIS IDB MEETING SPEECH, THE U.S. WISHES TO STUDY THE FUTURE OF INTAL.

MARTINEZ DE HOZ TOLD THE SECRETARY FOR BEING ABLE TO SPEAK FREELY ABOUT THE SITUATION IN ARGENTINA.

AS REPORTED REPTEL CONGRESSMAN BOD LEO EXPLAINED

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